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CANADIAN ALLIED PROPERTY
TENTH ANNUAL REPORT 1971
INVESTMENTS LIMITED



AR80



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CANADIAN ALLIED PROPERTY
INVESTMENTS LIMITED

INTERIM REPORT

FOR HALF YEAR ENDED

30th JUNE, 1971

CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

And its Wholly-Owned Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED JUNE 30, 1971

	1971 \$	1970 \$
REVENUE		
Property rentals	772,329	763,767
Interest income	—	4,650
	<u>772,329</u>	<u>768,417</u>
EXPENSE		
Depreciation	147,122	124,431
Interest on mortgage indebtedness	269,359	333,773
Other expense	211,367	172,670
	<u>627,848</u>	<u>630,874</u>
NET RENTAL EARNINGS	144,481	137,543
LOSS ON CONDOMINIUM PROJECT (NOTE)	71,797	—
EARNINGS BEFORE INCOME TAXES	72,684	137,543
PROVISION FOR INCOME TAXES	66,425	70,500
NET EARNINGS FOR THE PERIOD	<u>6,259</u>	<u>67,043</u>

Note: No provision has been made for future costs resulting from property taxes and carrying charges on the condominium project beyond June 30, 1971.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 1971

	1971 \$	1970 \$
SOURCE		
Operations —		
Net earnings	6,259	67,043
Items included in net earnings which are not a (source) or use of working capital:		
Depreciation	147,122	124,431
Amortization of financing expense.	1,676	1,676
Deferred income taxes	35,000	53,163
Portion of long-term lease pre-payment	(3,312)	(3,312)
Gain on redemption of bonds	—	25,705
	<u>186,745</u>	<u>268,706</u>
USE		
Advances to Project 200 Investments Limited	73,060	150,000
Additions to fixed assets	28,269	39,951
Reduction of long-term indebtedness	517,578	108,597
	<u>618,907</u>	<u>298,548</u>
DECREASE IN WORKING CAPITAL	432,162	29,842
WORKING CAPITAL DEFICIENCY — BEGINNING OF PERIOD	<u>353,905</u>	<u>709,094</u>
WORKING CAPITAL DEFICIENCY — END OF PERIOD	<u>786,067</u>	<u>738,936</u>

CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

TENTH ANNUAL REPORT 1971

DIRECTORS

P. R. Brissenden, Q.C.,
Partner, Douglas, Symes & Brissenden, Vancouver.

N. E. Gibson,
President, Grosvenor International Limited.

W. B. Haughan, C.B.E.,
Chairman, Laing Construction and Equipment Limited.

J. Little,
Vice-President, Laing Construction and Equipment Limited.

D. S. Mansell, F.R.I.,
Chairman, Macaulay Nicolls Maitland & Co. Ltd.

J. D. Scott,
Joint Managing Director, Grosvenor-Laing (B.C.) Limited.

W. P. Webb,
Joint Managing Director, Grosvenor-Laing (B.C.) Limited.

OFFICERS

P. R. Brissenden, Q.C., *Chairman and President*

J. D. Scott, *Secretary*

B. V. Franey, C.A., *Treasurer*

HEAD OFFICE

10th/11th Floors, 789 West Pender Street, Vancouver, B.C.

REGISTRAR AND TRANSFER AGENT

The Royal Trust Company, Vancouver, B.C.

AUDITORS

McDonald, Currie & Co., Vancouver, B.C.,
Chartered Accountants

CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

TENTH ANNUAL REPORT 1971

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The Royal Trust Company, Vancouver, B.C.

McDonald, Currie & Co., Vancouver, B.C.,
Chartered Accountants

REPORT OF THE DIRECTORS

The main events in the Company's operations during 1971 have been the commencement of work on Phase 2 of the Guildford Town Centre and the continued progress of construction of Granville Square in Project 200.

We record with much regret the death of the Hon. Frank M. Ross in December last. Mr. Ross had been the Chairman of the Company since its incorporation and he will be greatly missed.

MAYFAIR SHOPPING CENTRE

Trading at the Mayfair Shopping Centre has continued in the pattern of previous years. Woodward's Department Store, with its food floor and service station, and the other retail space have had a satisfactory year and have been able to report sales progress which has been reflected in increased rental payments.

Optimism as to future prospects has necessarily to be tempered with the realization that if all the new retail outlets proposed for the Greater Victoria area do actually materialize, there may well be an overall excess of merchandising space unless there is a much greater growth in the metropolitan area than is now anticipated.

Consideration is being given to what improvements could be effected to ensure that Mayfair retains its prominent position in the market.

GUILDFORD TOWN CENTRE

The Guildford Town Centre has had another very successful year and trading results have shown substantial increases. All the stores in Phase 1 are leased.

Work on the site of Phase 2 of the centre began in March, 1971 and construction has proceeded satisfactorily. Substantial completion of the 120,000 square foot Eaton's

Department Store was achieved in March, 1972. Also in March, 1972 the Super-Valu Food Supermarket constructed for Kelly, Douglas & Company on its own land, but forming an integral part of the centre, was substantially completed for hand-over to Kelly, Douglas.

The remaining retail stores will be located in two attractive enclosed malls. One mall lies between the existing Woodward's Department Store and the new Eaton's Department Store and is constructed on the overpass over Hjorth Road, which connects the two Phases of the centre. The other mall is at a lower level and connects the Eaton's Department Store with the Food Supermarket. There are 30 other new retail stores comprising a total of more than 68,000 square feet. The leasing programme has been most successful and it is anticipated that at the opening of the centre, most of these will be occupied.

The success of Phase 1 and the confidence, which prospective tenants have shown in the Guildford Town Centre, have meant that it has been possible to select a strong group of merchandisers as tenants of Phase 2. Particular emphasis has been given to fashion stores in the new area. With the completion of Phase 2, the Guildford Town Centre will comprise a total of over 550,000 square feet of leasable space, comprising two department stores, two food supermarkets, a theatre and seventy other stores.

While progress has been made in respect of the sales of the condominium residential project during 1971, it was felt that this project could become a heavy burden on the Company's resources in view of the period which must necessarily elapse before all the units are sold. It was, therefore, decided that it would be in the interests of the Company that the shares of Guildford Properties Limited,



PHASE 2 OF THE GUILDFORD TOWN CENTRE UNDER CONSTRUCTION

the subsidiary company which owns the project, should be acquired by Grosvenor-Laing (B.C.) Limited. This means, in effect, that the project has been taken over without loss to the Company and that the Company will have no responsibility for the future carrying charges, which will ensue until all sales have been completed.

PROJECT 200

Progress of the construction of Granville Square, the thirty floor office building, continued satisfactorily during the year under review and completion is expected in the fall of 1972. The building is now a prominent landmark on the Vancouver waterfront and the design of the structure, even in its incomplete state, has already prompted many complimentary references. The site is indeed an outstanding location and, as might be expected, leasing is proceeding satisfactorily. Here again, however, mention has to be made of the highly competitive market for office space in Vancouver in view of the large amount of accommodation, which has recently been completed or is nearing completion.

The financing of the complex has been arranged and the first closing of the bond issue took place in November, 1971.

FINANCIAL MATTERS

The rate of growth in rentals from existing properties picked up again during 1971, with increases over the previous year totalling slightly more than \$100,000. At the same time, expenses were reduced, principally due to lower interest charges. As a result, earnings before income taxes increased from \$185,961 in 1970 to \$296,700 in 1971. Net earnings after tax increased from \$88,185 to \$154,703. Earnings per share increased from 13.6¢ to 23.8¢.

During 1971, a total of \$3,665,211 was spent on fixed asset additions, which cost relates almost entirely to Phase 2 of the Guildford Town Centre. The estimated cost to complete the construction is \$2,710,000. Interim finance has been made available by the Company's bank and the borrowings to date of \$2,851,000 are classified as current liabilities within the December 31, 1971 consolidated balance sheet. However, the Company has a commitment for a long-term institutional mortgage loan, the proceeds of which will permit full retirement of the bank loan in due course.

An additional \$73,060 was advanced to Project 200 Investments Limited during 1971, and there is a commitment for further advances to be made, which are presently estimated at approximately \$125,000, to enable that company to complete its Granville Square development.

The opening of Phase 2 of the Guildford Town Centre and the anticipated future growth of Guildford should continue to enhance the consolidated earnings in the years ahead. While it may be difficult to sustain the present rate of growth in net earnings during 1972, due to increased competition from other new retail facilities in the Surrey area which may result in temporary over-expansion, the directors are confident that Guildford Town Centre will continue to maintain its leading position in this rapidly growing market.

On behalf of the Board of Directors,

P. R. Brissenden, President

Vancouver, British Columbia, 28 March, 1972.



AN AERIAL VIEW OF PROJECT 200 SHOWING GRANVILLE SQUARE UNDER CONSTRUCTION

CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

and its wholly-owned subsidiary companies

ASSETS

CURRENT ASSETS

	1971	1970
Cash	\$ 4,401	\$ 4,106
Amounts due from parent company		32,849
Accounts receivable (notes 4 and 5)	365,652	168,024
Construction in progress		2,811,825
Other	2,633	2,520
	<u>372,686</u>	<u>3,019,324</u>

INVESTMENTS AND ADVANCES (note 2)

	Common shares at cost	Advances		
Project 200 Properties Limited	\$400	\$325,000	325,400	325,400
Project 200 Investments Limited	230	670,776	671,006	597,946
	<u>630</u>	<u>995,776</u>	<u>996,406</u>	<u>923,346</u>

FIXED ASSETS (notes 3, 4 and 5)

Land, buildings and development work in progress - at cost	18,148,261	14,489,087
Fixtures and equipment - at cost	47,953	64,162
	<u>18,196,214</u>	<u>14,553,249</u>
Accumulated depreciation	1,625,324	1,352,967
	<u>16,570,890</u>	<u>13,200,282</u>

ORGANIZATION AND FINANCING EXPENSE - at cost less amortization

99,649	103,067
<u>\$18,039,631</u>	<u>\$17,246,019</u>

Signed on behalf of the Board

P. R. Brissenden, *Director*

W. B. Haughan, *Director*

CONSOLIDATED BALANCE SHEET *as at December 31, 1971*

LIABILITIES

CURRENT LIABILITIES

	1971	1970
Bank loan (note 4)	\$ 2,851,000	\$ 457,500
First mortgage loans on construction in progress		1,891,020
Accounts payable and accrued expenses	1,507,856	685,738
Amounts due to parent company	202,885	189,660
Security deposits	29,997	27,344
Current portion of long-term indebtedness (note 5)	815,923	94,099
Income tax payable	38,746	27,868
	<u>5,446,407</u>	<u>3,373,229</u>

LONG-TERM INDEBTEDNESS (note 5) 7,752,165 9,255,088

DEFERRED REVENUE 189,336 195,960

DEFERRED INCOME TAXES 446,219 370,941

13,834,127 13,195,218

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized —		
1,000,000 shares with a nominal or par value of \$5 each		
Issued and fully paid —		
650,000 shares	3,250,000	3,250,000

RETAINED EARNINGS 955,504 800,801

4,205,504 4,050,801

\$18,039,631 \$17,246,019

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Allied Property Investments Limited and its wholly-owned subsidiary companies as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver B.C.
March 2, 1972

MCDONALD, CURRIE & CO.
Chartered Accountants

CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

and its wholly-owned subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

for the Year ended December 31, 1971

REVENUE

	1971	1970
Property rentals	\$ 1,610,269	\$ 1,509,909
Interest income		33,007
	<u>1,610,269</u>	<u>1,542,916</u>

EXPENSES

Depreciation	294,603	294,179
Interest on mortgage indebtedness	632,433	676,705
Amortization of financing expense	3,352	3,351
Other	383,181	382,720
	<u>1,313,569</u>	<u>1,356,955</u>

EARNINGS BEFORE INCOME TAXES

296,700 185,961

PROVISION FOR INCOME TAXES

— Current	66,719	27,868
— Deferred	75,278	69,908

NET EARNINGS FOR THE YEAR

\$ 154,703 \$ 88,185

The following expense is included in the foregoing:

Directors' remuneration	<u>\$ 9,532</u>	<u>\$ 9,514</u>
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EARNINGS PER SHARE

23.8¢ 13.6¢

CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

and its wholly-owned subsidiary companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the Year ended December 31, 1971

BALANCE - BEGINNING OF YEAR

	1971	1970
Net earnings for the year	\$ 800,801	\$ 638,318
Discounts earned on redemption of bonds	154,703	88,185
		<u>74,298</u>

BALANCE - END OF YEAR

\$ 955,504 \$ 800,801

CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

and its wholly-owned subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

for the Year ended December 31, 1971

SOURCE

	1971	1970
Operations (note 7)	\$ 519,536	\$ 448,999
Fixed asset disposals	1,842	129,237
Term bank loan		399,700
Discounts earned on redemption of bonds		74,298
	<u>521,378</u>	<u>1,052,234</u>

USE

Payments on and provision for current portion of long-term indebtedness —		
Payment on term bank loan	687,000	
Payment on mortgage bonds		220,000
Principal instalments due within one year (note 5)	815,923	94,099
	<u>1,502,923</u>	<u>314,099</u>
Fixed assets additions	3,665,211	129,980
Investment in and advances to Project 200 Investments Limited	73,060	508,016
	<u>5,241,194</u>	<u>952,095</u>

INCREASE (DECREASE) IN WORKING CAPITAL DEFICIENCY	4,719,816	(100,139)
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WORKING CAPITAL DEFICIENCY - BEGINNING OF YEAR	<u>353,905</u>	<u>454,044</u>
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WORKING CAPITAL DEFICIENCY - END OF YEAR	<u>5,073,721</u>	<u>353,905</u>
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REPRESENTED BY:

Current assets	372,686	3,019,324
Current liabilities	<u>5,446,407</u>	<u>3,373,229</u>

WORKING CAPITAL DEFICIENCY — END OF YEAR	<u>5,073,721</u>	<u>353,905</u>
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CANADIAN ALLIED PROPERTY INVESTMENTS LIMITED

and its wholly-owned subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the Year ended December 31, 1971

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries, namely Mayfair Shopping Centre Limited, Guildford Development Corporation Limited and Third Properties Limited.

During the year the company sold its investment in Guildford Properties Limited for \$100 which was the original cost of the investment.

2. COMMITMENT

In connection with the company's investment in Project 200 Investments Limited, the company has agreed to make further advances to Project 200 Investments Limited in an amount proportionate to its shareholding in that company to finance the construction of the office building complex known as Granville Square, Vancouver. The company has also entered into a Completion Agreement along with the other corporate shareholders of Project 200 Investments Limited. Under this Agreement they are jointly and severally liable to complete the building by September 30, 1973 and to pay all amounts necessary to complete the construction and to pay principal and interest due in respect of the long-term financing for the building prior to Completion Date. The building is expected to be substantially completed at the end of October 1972. Completion date occurs when the building is substantially completed for at least thirty days, not less than 80% of space is leased at a total rent of at least \$2,450,000 per annum and not less than 60% of space is leased to long-term tenants. On the first closing of the long-term financing in November, 1971, the 198,072 square feet (representing over 57% of the rentable office space) required by the lenders to be committed at that time to long-term tenants had been so committed. The corporate shareholders of Project 200 Investments Limited have entered into a further agreement providing that their joint and several liability shall be met according to their proportionate shareholding in that company. The company's share of the amount required to complete the construction over and above the funds realized from the long-term financing is presently expected to amount to approximately \$700,000 of which \$575,000 has already been advanced and is included within the total advances to Project 200 Investments Limited of \$670,776.

3. DEVELOPMENT WORK IN PROCESS

Land, buildings and development work in process includes \$3,730,400 with respect to an extension of the presently existing shopping centre owned by Guildford Development Corporation Limited. The estimated amount to complete this extension is \$2,710,000.

4. BANK LOAN

The bank loan of Guildford Development Corporation Limited is to provide interim financing for the construction of an extension to its shopping centre.

The loan is secured by the following:

- (a) second mortgages on the land and buildings comprising the existing Mayfair and Guildford Shopping Centres,
- (b) a first mortgage on the land at Guildford other than that which comprises the existing shopping centre,
- (c) the accounts receivable of Guildford Development Corporation Limited,
- (d) hypothecation of all the issued shares of the subsidiary companies referred to in note 1.

The loan bears interest, payable monthly, at 1% above the minimum lending rate of Guildford's banker.

Guildford Development Corporation Limited has a commitment from an institutional lender for a \$7,000,000 mortgage loan to provide long-term financing for the extension. If the mortgage loan is not taken down, Guildford is liable for a commitment fee of \$140,000 which at present is represented by a letter of credit issued by its banker.

5. LONG-TERM INDEBTEDNESS

	Maturity	1971	1970
6¾ % First (Closed) Mortgage Sinking Fund Bonds of Mayfair Shopping Centre Limited	October 1, 1988	\$ 3,193,000	\$ 3,193,000
7½ % First Mortgage Loan of Guildford Development Corporation Limited	July 1, 1992	4,660,088	4,754,187
Term bank loan of Guildford Development Corporation Limited	See below	715,000	1,402,000
		<u>8,568,088</u>	<u>9,349,187</u>
Less principal instalments due within one year shown as current liabilities		815,923	94,099
		<u>\$ 7,752,165</u>	<u>\$ 9,255,088</u>

The bonds of Mayfair Shopping Centre Limited are secured by a general charge on the undertaking and a specific charge on the real property of that company. The principal payments required to retire the bonds commenced with \$69,000 in 1964 and increase to \$305,000 by 1988, causing the total annual payments of principal and interest to be approximately \$325,000. The 1972 principal repayment of \$113,000 had been fully satisfied prior to December 31, 1971, so that there is no current portion due at December 31, 1971. According to the deed of trust and mortgage securing these bonds, the company has agreed not to declare or pay dividends unless certain requirements are met. The first mortgage loan of Guildford Development Corporation Limited is secured by that portion of that company's land occupied by the existing Guildford Shopping Centre and is payable in semi-annual instalments of \$215,594, combining principal and interest.

The term bank loan of Guildford Development Corporation Limited is secured by the same security pledged for the interim financing bank loan as described in note 4. Interest is payable at a rate which is 1¼ % above the minimum lending rate of the company's banker.

6. CONTINGENT LIABILITIES

Guildford Development Corporation Limited has a contingent liability of \$140,000 in respect of the commitment as described in note 4. In addition, Canadian Allied Property Investments Limited has guaranteed certain borrowings of Project 200 Investments Limited in proportion to its investment in that company through its subsidiary Third Properties Limited. As at December 31, 1971 the guarantee amounted to approximately \$400,200.

7. WORKING CAPITAL FROM OPERATIONS

Working capital provided by operations is as follows:

	1971	1970
Net earnings for the year	\$ 154,703	\$ 88,185
Items included in net earnings which are not a (source) or use of working capital —		
Depreciation	294,603	294,179
Amortization of financing expense	3,352	3,351
Deferred income taxes	75,278	69,908
Amortization of long-term lease prepayment	(6,624)	(6,624)
Gain on sale of fixed assets	(1,842)	
Sale of investment — net	66	
	<u>\$ 519,536</u>	<u>\$ 448,999</u>



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With the compliments of

GROSVENOR-LAING (B. C.) LIMITED

522-8611

688-3611

